

REFERENCE TITLE: insurance score; credit history

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
First Regular Session  
2007

# HB 2509

Introduced by  
Representative Murphy

## AN ACT

AMENDING SECTION 20-2110, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 11, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-2110.01; RELATING TO PROPERTY OR CASUALTY INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-2110, Arizona Revised Statutes, is amended to  
3 read:

4 20-2110. Reasons for adverse underwriting decisions

5 A. In the event of an adverse underwriting decision the insurance  
6 institution or insurance producer responsible for the decision shall ~~either~~  
7 provide the applicant, policyholder or individual proposed for coverage with  
8 the specific reason for the adverse underwriting decision in writing ~~or~~  
9 ~~advise the person, in writing, that upon written request the person may~~  
10 ~~receive the specific reason in writing~~ and provide the applicant,  
11 ~~policyholder or individual proposed for coverage with~~ a summary of the rights  
12 established under subsection B of this section and sections 20-2108 and  
13 20-2109.

14 B. ~~Upon receipt of a written request within ninety business days from~~  
15 ~~the date of the mailing of notice or other communication of an adverse~~  
16 ~~underwriting decision to an applicant, policyholder or individual proposed~~  
17 ~~for coverage,~~ The insurance institution or insurance producer shall furnish  
18 to the ~~person~~ APPLICANT, POLICYHOLDER OR INDIVIDUAL PROPOSED FOR COVERAGE  
19 within twenty-one business days from the date of ~~receipt of the written~~  
20 ~~request~~ THE ADVERSE UNDERWRITING DECISION:

21 1. The specific reason for the adverse underwriting decision, in  
22 writing, if the information was not initially furnished in writing pursuant  
23 to subsection A of this section.

24 2. The specific items of personal and privileged information that  
25 support those reasons. ~~except that:~~

26 ~~(a)~~ The insurance institution or insurance producer is ~~not~~ required to  
27 furnish specific items of privileged information ~~EVEN~~ if it has a reasonable  
28 suspicion, based upon specific information available for review by the  
29 director, that the applicant, policyholder or individual proposed for  
30 coverage has engaged in criminal activity, fraud, material misrepresentation  
31 or material nondisclosure.

32 ~~(b)~~ Specific items of medical record information supplied by a medical  
33 care institution or medical professional shall be disclosed either directly  
34 to the individual about whom the information relates or to a medical  
35 professional designated by the individual and licensed to provide medical  
36 care with respect to the condition to which the information relates, at the  
37 option of the insurance institution or insurance producer.

38 3. The names and addresses of the institutional sources that supplied  
39 the specific items of information pursuant to paragraph 2 of this subsection,  
40 except that the identity of any medical professional or medical care  
41 institution shall be disclosed either directly to the individual or to the  
42 designated medical professional, whichever the insurance institution or  
43 insurance producer prefers.

1 C. The obligations imposed by this section upon an insurance  
2 institution or insurance producer may be satisfied by another insurance  
3 institution or insurance producer authorized to act on its behalf.

4 D. If an adverse underwriting decision results solely from an oral  
5 request or inquiry, the explanation of the specific reasons and summary of  
6 rights required by subsection A of this section may be given orally.

7 E. In providing the specific reason for an adverse underwriting  
8 decision based on credit related information contained or not contained in an  
9 individual's consumer report, the insurance institution or agent shall  
10 provide at least the following information:

11 1. That the decision was based in part on a consumer report ~~or the~~  
12 ~~absence of credit history.~~

13 2. The source of the consumer report ~~and how the individual may obtain~~  
14 ~~a copy of the consumer report.~~ THE INSURANCE INSTITUTION OR INSURANCE  
15 PRODUCER SHALL PROVIDE THE CONSUMER REPORT AT NO COST TO THE APPLICANT,  
16 POLICYHOLDER OR INDIVIDUAL.

17 3. A description of ~~up to four~~ ALL factors that were the ~~primary~~ cause  
18 for the adverse action that resulted from the insurance score.

19 4. IF FACTORS OTHER THAN THE CREDIT HISTORY WERE USED IN THE DECISION,  
20 A DESCRIPTION OF THESE FACTORS THAT WERE THE CAUSE FOR THE ADVERSE ACTION.

21 F. An insurer shall not use the following types of credit history to  
22 calculate an insurance score to determine property or casualty premiums for  
23 insurance transactions that are subject to this article and shall not  
24 ~~knowingly~~ use an insurance score developed by a third party if the score is  
25 calculated using any of the following types of credit history:

26 1. The absence of credit history or the inability to determine the  
27 consumer's credit history ~~unless the insurer's action is actuarially~~  
28 ~~justified or the insurer treats the consumer as if the consumer had neutral~~  
29 ~~credit information, as defined by the insurer.~~

30 2. Credit history or an insurance score based on collection accounts  
31 identified with a medical industry code.

32 3. A bankruptcy or a lien satisfaction that is more than ~~seven~~ FIVE  
33 years old.

34 4. The consumer's use of a particular type of credit card, charge card  
35 or debit card ~~unless actuarially justified.~~

36 5. The consumer's total available line of credit, ~~except that an~~  
37 ~~insurer may consider the total amount of outstanding debt in relation to the~~  
38 ~~total available line of credit.~~

39 6. An insurance score that is calculated using the income, gender,  
40 address, zip code, ethnic group, religion, marital status or nationality of  
41 the consumer as a factor. This ~~section~~ PARAGRAPH does not prohibit an  
42 insurer from using zip code, address, gender and marital status information  
43 for underwriting purposes.

44 7. THE NUMBER OF CREDIT INQUIRIES MADE BY THE CONSUMER DURING THE  
45 PREVIOUS TWENTY-FOUR MONTHS.

1           8. FACTORS RELATING TO AN APPLICANT'S EMPLOYMENT STATUS THAT MAY  
2 AFFECT THE APPLICANT'S INCOME, INCLUDING THE APPLICANT'S OCCUPATION, WHETHER  
3 THE APPLICANT IS SELF-EMPLOYED OR THE APPLICANT'S DISABILITY STATUS.

4           G. IF AN INSURER USES A THIRD PARTY TO CALCULATE AN INSURANCE SCORE TO  
5 DETERMINE PROPERTY OR CASUALTY PREMIUMS FOR INSURANCE TRANSACTIONS, THE THIRD  
6 PARTY SHALL HAVE ITS FORMULA FOR ARRIVING AT AN INSURANCE SCORE ON FILE WITH  
7 THE DIRECTOR.

8           H. IN CALCULATING THE INSURANCE SCORE TO DETERMINE PROPERTY OR  
9 CASUALTY PREMIUMS FOR INSURANCE TRANSACTIONS THAT ARE SUBJECT TO THIS  
10 ARTICLE, AN INSURER SHALL NOT USE A SURCHARGE OR DISCOUNT THAT IS USED IN  
11 RELATION TO A PRIOR CLAIM HISTORY FOR THE NONCREDIT SCORE PORTION OF A POLICY  
12 RATING TO DETERMINE THE SURCHARGE OR DISCOUNT IN RELATION TO THE INSURANCE  
13 SCORE.

14           Sec. 2. Title 20, chapter 11, article 1, Arizona Revised Statutes, is  
15 amended by adding section 20-2110.01, to read:

16           20-2110.01. Property or casualty insurance; offer of best rate  
17                           available regardless of credit history

18           A. IN THE CASE OF PROPERTY OR CASUALTY INSURANCE, AN INSURER SHALL  
19 OFFER TO AN INDIVIDUAL THE BEST RATE AVAILABLE THAT THE INSURER OFFERS IN  
20 THAT AREA BASED ON THE INSURANCE SCORE THAT IS CALCULATED ASSUMING THE  
21 INDIVIDUAL HAS THE BEST CREDIT HISTORY THAT IS USED TO CALCULATE THAT  
22 INSURER'S INSURANCE SCORE ON AN INDIVIDUAL.

23           B. THE RATE OFFERED TO AN INDIVIDUAL PURSUANT TO SUBSECTION A IS VALID  
24 ONLY FOR THE DURATION OF THE FIRST POLICY TERM. THEREAFTER, THE INSURER MAY  
25 OFFER PROPERTY OR CASUALTY INSURANCE TO THE INDIVIDUAL BASED ON THE INSURER'S  
26 NORMAL BUSINESS PRACTICES.